



Funding for the Future

Overview of Road Funding Policies

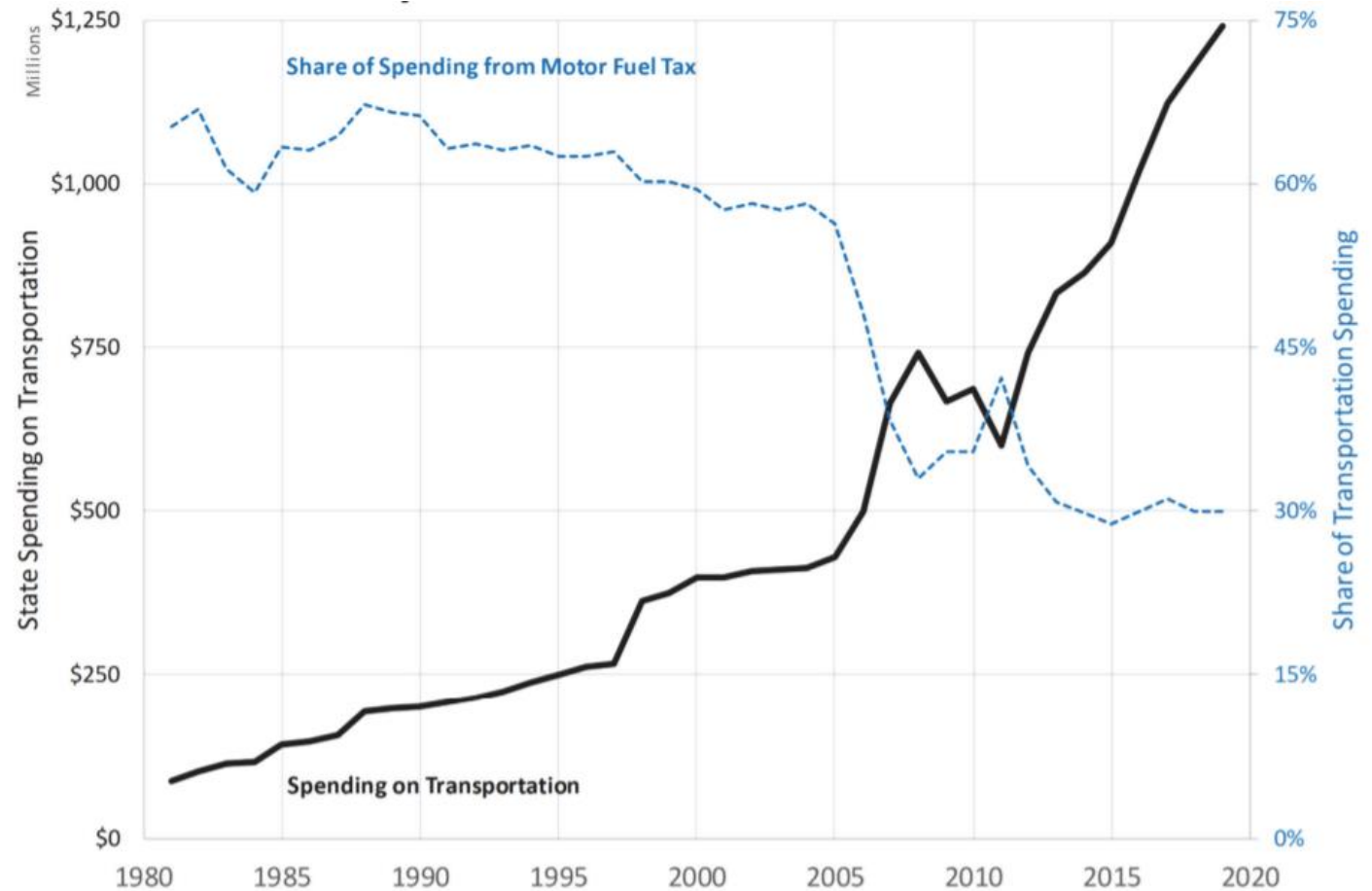
OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL

Transportation Interim Committee

May 18, 2021

What's the Problem?

The gas tax is a keystone of road funding, but it's financially unsustainable



Source: Office of the State Auditor, *Transportation Fiscal Analysis – February 2020*, accessed: <https://auditor.utah.gov/wp-content/uploads/sites/6/2020/02/Transportation-Fiscal-AnalysisFeb2020.pdf>



Root Causes

- **Increased fuel efficiency**

- The [average fuel efficiency \(mpg\) of U.S. light duty vehicles](#) increased from 20.0 in 2000 to 22.2 in 2019
- [Corporate Average Fuel Economy requirements](#) increased from 27.5 mpg for passenger cars and 23.5 for light duty trucks in 2010 to 44.2 and 30.6 in 2020, respectively

- **Inflation**

- Utah's gas tax adjusts with the Consumer Price Index, a recent change, but inflation has eroded its purchasing power over the longer-term
- The federal gas tax has not changed since 1993

- **Growing adoption of electric and hybrid vehicles**

- Electric and hybrid vehicles comprise a small segment of Utah's registered vehicles (less than 3%), but registrations and sales are growing rapidly





Potential Policy Solutions

- **Gas Tax**
- **Vehicle miles traveled (VMT) tax**
 - Ex. Road Usage Charge (RUC) program
- **Sales taxes**
 - Ex. General Fund
- **Registration fees**
- **Tolling**
 - Congestion pricing
- **Tax increment**
 - Ex. Transportation Reinvestment Zone (TRZ)



Potential Evaluation Criteria

Considering the universe of costs, benefits and constraints can help assess road funding solutions...

Efficiency	Feasibility	Equity
<ul style="list-style-type: none">• Capacity to generate revenue• Costs to administer, implement• Ability to sustain revenue over the long-term• Positive and negative impact on policy objectives beyond road funding	<ul style="list-style-type: none">• Implementation barriers• Enforcement challenges• Legal constraints	<ul style="list-style-type: none">• Capture of positive and negative externalities• Distribution of costs and benefits
		



Preliminary Analysis

- **Solutions are not mutually exclusive**
 - Policies could be layered to achieve multiple goals
- **No perfect solution**
 - But, VMT taxes are leading solution for ensuring future funding
- **Solutions have multiple configurations**
 - RUC could include congestion pricing
- **Policy shifts create an opportunity to recalibrate road use incentives**



OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL

Utah State Capitol Complex | W210 House Building | P.O. Box 145210 | Salt Lake City, Utah 84114 - 5210 | O: (801) 538-1032 | F: (801) 538-1712